

**MENLO INVESTMENTS LIMITED**

**Report and Financial Statements  
For the year ended 31 December 2002**



**REGISTERED NUMBER: 3479178**

# **MENLO INVESTMENTS LIMITED**

## **DIRECTORS' REPORT**

**For the year ended 31 December 2002**

The directors present their report together with the audited financial statements for the year ended 31 December 2002.

### **Review of business**

The principal activity of the Company is to act as an investment holding company. In the opinion of the directors the state of the Company's affairs is satisfactory.

### **Results and Dividends**

During the year the Company made a profit after taxation of £1,614,364 (2001: £2,648,046). The directors do not recommend the payment of a dividend (2001: £nil).

### **Directors**

The directors of the Company, who served during the year, together with their dates of appointment and resignation, where appropriate, are as shown below:

Barcosec Limited

Barometers Limited

J Caetano (resigned 1 August 2002)

P Emney (appointed 31 January 2003)

D Fail (resigned 19 December 2002)

BJ Hurrell

LJ Kenworthy (resigned 18 March 2003)

PR Robinson

### **Directors' Interests in Shares**

**(as defined by section 325 the Companies Act 1985)**

The directors of the Company are also directors of Barclays Directors Limited and their interests are disclosed in the accounts of that company.

Barcosec Limited and Barometers Limited have no beneficial interest in the shares of the Company, its holding company or any fellow subsidiary.

## **MENLO INVESTMENTS LIMITED**

### **DIRECTORS' REPORT (continued)**

**For the year ended 31 December 2002**

#### **Statement of Directors' Responsibilities**

The following statement, which should be read in conjunction with the Auditors' Report set out on pages 3 to 4, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the Auditors in relation to the financial statements.

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for the financial year.

The directors consider that in preparing the financial statements on pages 5 to 11,

- the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and
- that all the accounting standards which they consider to be applicable have been followed, and
- that the financial statements have been prepared on a going concern basis.

The directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure the financial statements comply with the Companies Act 1985.

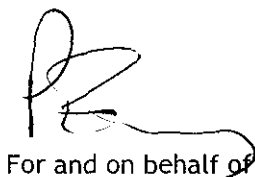
The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

#### **Auditors**

Following the conversion of the auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 11 February 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors.

On 14th October 1998 an Elective Resolution was passed by the shareholders of the Company pursuant to Section 386 of the Companies Act 1985 to dispense with the obligation to appoint Auditors annually. PricewaterhouseCoopers LLP have indicated their willingness to continue in office.

**BY ORDER OF THE BOARD**



For and on behalf of  
Menlo Investments Limited  
Corporate Secretary  
54 Lombard Street  
London EC3P 3AH

17 June 2003

## **MENLO INVESTMENTS LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MENLO INVESTMENTS LIMITED**

We have audited the financial statements on pages 5 to 11, which comprise the profit and loss account, the balance sheet, and the related notes, which have been prepared under the historical cost convention, and the accounting policies set out on page 7.

#### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities on page 2.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members, as a body, in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

#### **Basis of audit opinion**

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## MENLO INVESTMENTS LIMITED

### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MENLO INVESTMENTS LIMITED (continued)

#### Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
London

17 June 2003

# MENLO INVESTMENTS LIMITED

## PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2002

	Notes	2002 £	2001 £
Operating income	3	-	75
Administrative expenses		(2,501)	(1,508)
Operating loss		<u>(2,501)</u>	<u>(1,433)</u>
Income from shares in subsidiary undertakings		14,494,200	14,459,454
Interest receivable from group undertakings		18,069,876	18,222,152
Interest payable and similar charges	4	(35,759,030)	(35,782,704)
Loss on ordinary activities before tax	5	<u>(3,197,455)</u>	<u>(3,102,531)</u>
Tax credit on loss on ordinary activities	7	4,811,819	5,750,577
Profit on ordinary activities after taxation		<u>1,614,364</u>	<u>2,648,046</u>
Surplus / (Deficit) brought forward		1,877,116	(770,930)
Surplus carried forward		<u><u>3,491,480</u></u>	<u><u>1,877,116</u></u>

All recognised gains and losses are included in the profit and loss account. Operating loss is derived from continuing activities. There is no difference between the results disclosed in the profit and loss account and the results on an unmodified historical cost basis. The notes on pages 7 to 11 form an integral part of these financial statements.

# MENLO INVESTMENTS LIMITED

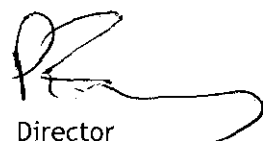
## BALANCE SHEET AS AT 31 DECEMBER 2002

	Notes	2002 £	2001 £
FIXED ASSETS			
Investments	8	364,524,424	364,524,424
CURRENT ASSETS			
Debtors falling due within one year	9	14,706,736	13,148,292
Debtors falling due after more than one year	10	304,500,000	304,500,000
CREDITORS: Amounts falling due within one year	11	(1,189,678)	(1,245,598)
NET CURRENT ASSETS		318,017,058	316,402,694
TOTAL ASSETS LESS CURRENT LIABILITIES		682,541,482	680,927,118
CREDITORS: Amounts falling due after one year	12	(669,000,000)	(669,000,000)
NET ASSETS		13,541,482	11,927,118
CAPITAL AND RESERVES			
Called up share capital	13	10,050,002	10,050,002
Profit and loss account		3,491,480	1,877,116
TOTAL EQUITY SHAREHOLDERS' FUNDS	14	13,541,482	11,927,118

A statement of movement in shareholders' funds is given in note 14.

The notes on pages 7 to 11 form an integral part of these financial statements.

The financial statements on pages 5 to 11 were approved by the Board of Directors on 17 June 2003.



Director

# MENLO INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 1. ACCOUNTING POLICIES

#### Basis of accounting

The financial statements have been prepared under the historical cost convention, the accounting policies set out below and in accordance with applicable accounting standards of the Accounting Standards Board and pronouncements of the Urgent Issues Task Force.

#### Foreign currency

Trading results denominated in foreign currencies are translated into sterling at average rates of exchange during the year. Assets and liabilities are translated at the exchange rate ruling at the year end except where rates of exchange are fixed under contractual arrangements. Exchange differences are taken to the profit and loss account as they arise.

#### Consolidated financial statements

The financial statements contain information about Menlo Investments Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, Barclays Bank PLC, a company registered in England and Wales.

#### Adoption of new accounting standards

In the current year, the Company has adopted FRS 19 'Deferred Tax'. This has no impact on the results reported, as the Company does not have any amounts of deferred tax either recognised or unrecognised.

### 2. CASH FLOW STATEMENT

The Company's ultimate holding company has adopted the provisions of Financial Reporting Standard 1 ("FRS 1") revised 1996, Cash Flow Statements. Accordingly the Company, which is a wholly owned subsidiary of Barclays Bank PLC, has elected to utilise the exemption provided in FRS 1 not to produce a cash flow statement.

### 3. OPERATING INCOME

	2002 £	2001 £
Interest receivable from Partnership	-	75

Interest receivable in 2001 represents the profit from the final distribution from Verdant Investments Limited partnership which was acquired and dissolved during 2001.

# MENLO INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 4. INTEREST PAYABLE AND SIMILAR CHARGES

	2002 £	2001 £
Interest payable to subsidiary undertakings	21,264,830	21,323,250
Interest payable under sale and put option agreement (see note 8)	14,494,200	14,459,454
	<u>35,759,030</u>	<u>35,782,704</u>

### 5. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2002 £	2001 £
Profit on ordinary activities before taxation is stated after charging: -		
Auditors' remuneration:		
Audit services	2,500	1,500
	<u>2,500</u>	<u>1,500</u>

There were no employees employed by the Company during 2002 or 2001.

### 6. DIRECTORS' EMOLUMENTS

The Directors did not receive any emoluments in respect of their services to the company during the year (2001: £nil).

### 7. TAX CREDIT ON LOSS ON ORDINARY ACTIVITIES

	2002 £	2001 £
Current taxation:		
UK Corporation Tax: current year	5,307,497	5,750,577
UK Corporation Tax: prior year	(495,678)	-
	<u>4,811,819</u>	<u>5,750,577</u>

# MENLO INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 7. TAX CREDIT ON LOSS ON ORDINARY ACTIVITIES (continued)

The effective tax rate for the year is higher (2001: higher) than the standard UK corporation tax rate of 30% (2001: 30%). The differences are explained below:

	2002 £	2001 £
Loss on ordinary activities before tax	3,197,455	3,102,531
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2001: 30%)	959,237	930,759
Effects of:		
Adjustments in respect of prior periods	(495,678)	-
Notional tax credit	-	481,982
Non-taxable UK dividend income	4,348,260	4,337,836
Current tax credit for the period	<u>4,811,819</u>	<u>5,750,577</u>

### 8. INVESTMENT IN FIXED ASSETS

	£
Cost at 1 January 2002	364,524,424
Cost at 31 December 2002	<u>364,524,424</u>

Fixed asset investments represent the ordinary and preference shares of the Company's subsidiary Romintco Investments BV ('Romintco').

On 19 December 2000, the Company sold the Preference Shares to a third party investor for value 22 December 2000. On the same date, the Company entered into a put option agreement with the third party investor over the Preference Shares. Since it is anticipated that the third party investor will exercise the put option in due course, the Preference Shares have not been de-recognised and continue to be shown as an investment while recognising the amount payable under the put option as a creditor (see notes 11 & 12).

The terms of the put option allow the third party investor to sell the Preference Shares to the Company at any time up to 19 December 2005 and in certain circumstances after 19 December 2005 until 19 December 2007. The strike price of the put option is £304,500,000 plus accrued but unpaid dividends.

In the opinion of the directors, the value of the Company's investment in its subsidiary undertaking is not less than the amount stated in the balance sheet.

# MENLO INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 9. DEBTORS: Amounts falling due within one year

	2002 £	2001 £
Amounts owed by group undertakings	9,411,317	6,914,115
Group relief receivable	4,812,279	5,751,037
Amounts owed by subsidiary undertakings	483,140	483,140
	<u>14,706,736</u>	<u>13,148,292</u>

### 10. DEBTORS: Amounts falling due after more than one year

	2002 £	2001 £
Amounts owed by group undertakings	<u>304,500,000</u>	<u>304,500,000</u>

Barclays Bank PLC assumed joint and several liability for the payment obligations of the Company under the put option agreement with the third party investor and the Company. The Company has agreed to counter indemnify Barclays Bank PLC for such obligations.

In December 2000, the Company placed £304,500,000 into a deposit account which is charged to Barclays in support of the counter indemnity obligations.

### 11. CREDITORS: Amounts falling due within one year

	2002 £	2001 £
Amounts due to subsidiary undertakings	701,038	759,458
Amounts due under sale and put option agreement	483,140	483,140
Amounts owed to group undertakings	5,500	3,000
	<u>1,189,678</u>	<u>1,245,598</u>

### 12. CREDITORS: Amounts falling due after one year

	2002 £	2001 £
Amounts due under sale and put option agreement	304,500,000	304,500,000
Amounts due to subsidiary undertakings	364,500,000	364,500,000
	<u>669,000,000</u>	<u>669,000,000</u>

## **MENLO INVESTMENTS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

#### **13. CALLED UP SHARE CAPITAL**

	2002 £	2001 £
Authorised: 28,000,000 ordinary shares of £1 each	28,000,000	28,000,000
Allotted and fully paid: 10,050,002 ordinary shares of £1 each	10,050,002	10,050,002

#### **14. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

	2002 £	2001 £
Profit for the financial year	1,614,364	2,648,046
Opening shareholders' funds	11,927,118	9,279,072
Closing shareholders' funds	13,541,482	11,927,118

#### **15. RELATED PARTY TRANSACTIONS**

The Company has taken advantage of the exemption under the provisions of Financial Reporting Standard 8 ("FRS 8"), Related Party Disclosures not to disclose transactions with other group companies since the Company is a wholly owned subsidiary of Barclays Bank PLC, the consolidated financial statements of which are publicly available. There have been no transactions with related parties requiring disclosure in either 2002 or 2001.

#### **16. ULTIMATE HOLDING COMPANY**

The parent undertaking of the smallest group that presents group accounts is Barclays Bank PLC. The ultimate holding company and the parent company of the largest group that presents group accounts is Barclays PLC. Both companies are incorporated in Great Britain and registered in England and Wales. Barclays PLC's and Barclays Bank PLC's statutory accounts are available from the Group Corporate Secretariat, 54 Lombard Street, London EC3P 3AH.